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## REAL ESTATE MARKET OVERVIEW – RIGA AND GREATER RIGA AREA

September 2005

Average price of a standard type apartment in September has increased by approximately 3%, thus amounting to 853 EUR/m<sup>2</sup>.

Apartments in the new projects are bought by only appr. 20% of all the borrowers since the majority of new families cannot afford them.

Efforts to increase the rent of exclusive apartments up to 15 EUR/m<sup>2</sup> could be observed in September however there was no demand in renting apartments for such a price.

At the moment, increased market activity can be observed at the seaside of Vidzeme: in Saulkrasti, Zvejniekciems, Skulte, the towns that by considering the distance and infrastructure are similar to Jurmala and still cheaper for the time being.

The market of Class B office space lease has been supplemented by one building in September instead of three buildings: Mūkusalas Business Centre. However almost no space has remained available for Class A office space lease.

Demand in purchase of retail space in economically active locations in the centre is increasing since the lease of such space has levelled with monthly credit payments.

Increase in the amount of construction works, that is expected in 2006 by taking into account the big orders from the government, will influence the private sector as well.

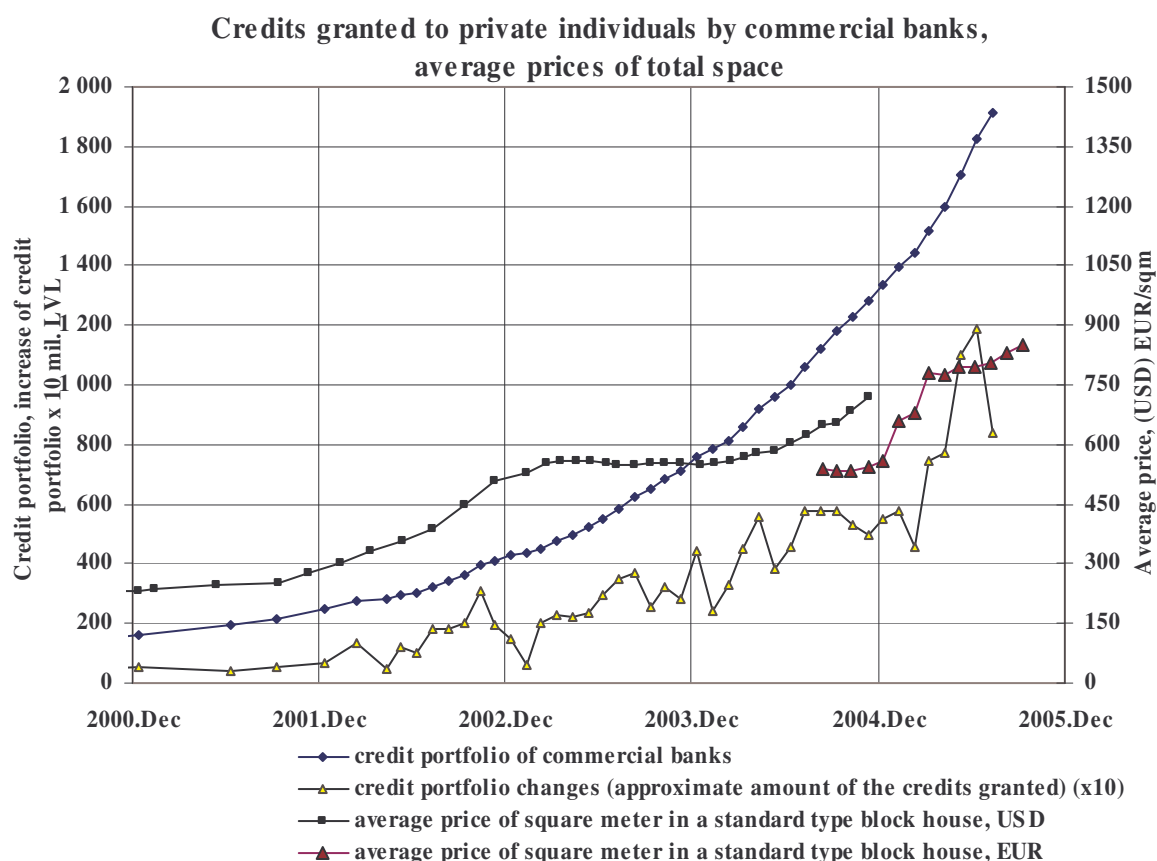
*More detailed information about the tendencies mentioned herein and other trends in the real estate market covering Riga and the Greater Riga area, as well as the outlook, you will be able to find in the Market Overview, 3<sup>rd</sup> quarter 2005, prepared by LATIO experts, which will be available in our homepage [www.latio.lv](http://www.latio.lv) in the mid October.*

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## HOUSING MARKET

Considerable increase in the amount of construction works is expected in 2006, especially by taking into account the orders from the government and municipalities, for example, construction of the Southern Bridge, the prospective Police Station building in Gaujas street, the new building of the Latvian Television, etc. Deficit of qualified construction workers is expected that will stimulate not only salary increase of individuals who are employed in construction, but also immigration of labour force from other countries. Government orders in construction will influence the private sector since it will become more difficult to find qualified construction and repair workers.

By taking into account the above-mentioned tendencies, the dominant demand in recently repaired apartments or housings with full decoration can be witness already now. All the foregoing will facilitate further increase of housing prices.



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**STANDARD TYPE APARTMENTS**
**Prices of standard type apartments in residential districts of Riga in August, EUR**

District/ series	Purv- ciems	Ziepniek- kalns	Agens- kalns	Imanta	Zolitude	Plavnieki	Mezciems	Jugla	Kenga- rags	Bolderaja
Series 119	1- room	38000 - 53000	34000 - 51000	-	-	40000 - 51000	36000 - 55000	-	-	-
	2- rooms	49000 - 66000	40000 - 62000	-	-	51000 - 63000	43000 - 65000	-	-	-
	3- rooms	57000 - 78000	48000 - 74000	-	-	50000 - 76000	56000 - 77000	-	-	-
	4- rooms	64000 - 90000	57000 - 80000	-	-	57000 - 83000	58000 - 93000	-	-	-
Series 602	1- room	30000 - 38000	27000 - 38000	-	29000 - 38000	-	30000 - 38000	30000 - 38000	-	-
	2- rooms	45000 - 56000	38000 - 50000	-	38000 - 53000	-	45000 - 53000	44000 - 71000	-	-
	3- rooms	55000 - 67000	45000 - 60000	-	45000 - 63000	-	54000 - 67000	54000 - 65000	-	-
	4- rooms	60000 - 75000	55000 - 75000	-	55000 - 75000	-	59000 - 76000	60000 - 75000	-	-
Series 103	1- room	33000 - 42000	-	30000 - 40000	-	-	32000 - 41000	-	-	25000 - 35000
	2- rooms	46000 - 62000	-	40000 - 60000	-	-	45000 - 63000	-	-	35000 - 48000
	3- rooms	57000 - 73000	-	50000 - 70000	-	-	58000 - 76000	-	-	38000 - 55000
Series 10	1- room	42000 - 53000	33000 - 45000	-	33000 - 45000	41000 - 45000	43000 - 55000	43000 - 50000	-	-
	2- rooms	52000 - 66000	43000 - 52000	-	43000 - 52000	40000 - 52000	49000 - 67000	54000 - 65000	-	-
	3- rooms	61000 - 78000	50000 - 63000	-	50000 - 63000	60000 - 63000	59000 - 84000	60000 - 85000	-	-
"Lithuanian" proj.	1- room	30000 - 36000	26000 - 35000	27000 - 35000	28000 - 35000	-	-	30000 - 38000	28000 - 35000	24000 - 30000
	2- rooms	43000 - 50000	36000 - 47000	38000 - 47000	38000 - 47000	-	-	38000 - 56000	34000 - 40000	35000 - 44000
	3- rooms	50000 - 61000	42000 - 57000	42000 - 57000	45000 - 58000	-	-	49000 - 67000	39000 - 46000	38000 - 48000
"Hruschov" type houses	1- room	29000 - 35000	26000 - 34000	28000 - 34000	-	-	-	28000 - 33000	27000 - 34000	-
	2- rooms	39000 - 52000	35000 - 45000	38000 - 46000	-	-	-	36000 - 46000	33000 - 39000	-
	3- rooms	48000 - 61000	43000 - 50000	45000 - 52000	-	-	-	44000 - 50000	41000 - 48000	-

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Price of a standard type apartment has increased in September by approximately 3% thus amounting to 853 EUR/m<sup>2</sup>. The lowest price of apartments has increased slightly: by approximately 1%, however the maximum price is stable compared to the previous month. For example, prices of apartments in Imanta have increased in average by 2 to 3%, the prices are increasing in Bolderaja and in Agenskalns. The biggest increase of the prices can be witnessed for apartments of series 602 in Mezciems, but a small decrease of the prices can be witnessed in Zolitude.

## NEW PROJECTS

In accordance with the data of JSC Hansabanka, only about 20% of all the borrowers of mortgage credits buy apartments in the new projects. There are not many families that can afford such apartments due to their price, which keeps increasing. Besides, the biggest demand is for three-room apartments of 70 to 80 m<sup>2</sup>, but the dominant supply in the new projects is 100 to 120 m<sup>2</sup>, where, by calculating the current prices, the theoretically unnecessary space of 20 m<sup>2</sup> costs the same as repair of the whole apartment, i.e., EUR 20,000 on average. Therefore still the highest demand is for standard type apartments in block houses.

## APARTMENTS IN THE CENTRE OF THE CITY

Both buyers and tenants have become pickier by carefully evaluating not only the quality of a building or an apartment but also a location of a dwelling. Since the Old Town to a certain extent has become an entertainment centre, clients are interested in apartments in more quiet streets. Sale prices are stable: from 3,000 to 4,000 EUR/m<sup>2</sup>.

Already in the reports of the previous months, we have noted the stable rents of exclusive furnished apartments in the centre: 11 to 12 EUR/m<sup>2</sup>. Tendency was witnessed in individual cases in September to increase a rent up to 15 EUR/m<sup>2</sup> however there was no demand for such a price and the rent payments remained in the previous level.

## DETACHED HOUSING

Currently, high market activity can be witnessed at the seaside of Vidzeme: in Saulkrasti, Zvejniekciems, Skulte, the towns which, when seeing in a map, by concerning the distance and infrastructure are similar to Jurmala and still cheaper for the time being.

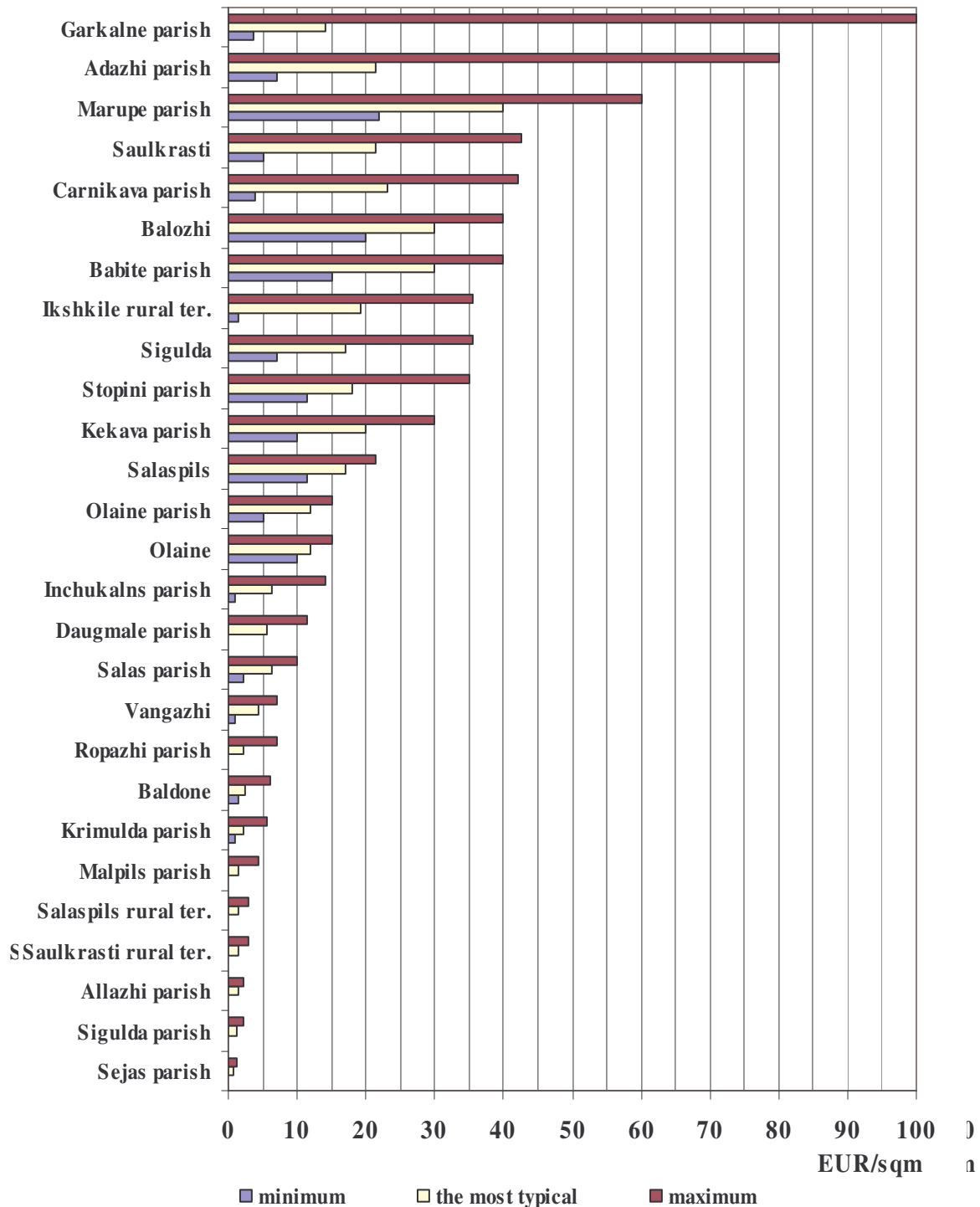
Of course, the highest demand is for estates at the seaside in 300 m to 800 m distance from the sea with the average area of a land plot from 1,500 m<sup>2</sup> to 2,000 m<sup>2</sup>. There is a demand both for residential development land and for land properties with houses or even old foundations of houses in order there would be no problems regarding construction permits. There is big interest also in summer houses in gardening societies that often are reconstructed into winter houses, as well as in apartments.

The supply in this market segment is not able to satisfy the increasing demand anymore.

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RESIDENTIAL DEVELOPMENT LAND

Land prices in Greater Riga parishes



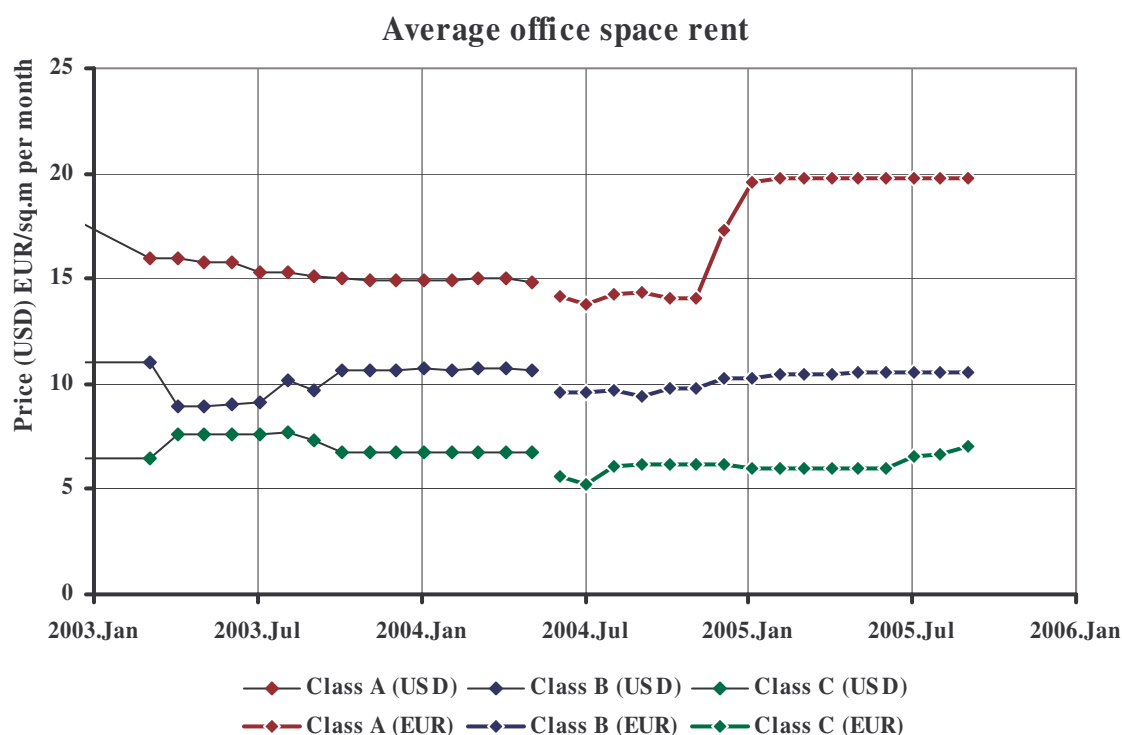
The maximum private development land plots in Garkalne and Adazi parishes, as shown in the graphic above, apply to land properties on the coast of Baltezers where there is the most expensive land in the Greater Riga area, for approximately 100 EUR/m<sup>2</sup>. The next most expensive land is at the coast of Jugla River in Bergi.

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## COMMERCIAL SPACE MARKET OFFICE SPACE

The office space market of Class A and B offices was stable in September, and the average office space lease prices have not changed for almost six months. However Class C office lease prices have slightly increased due to the small supply, by amounting to 6 - 7 EUR/m<sup>2</sup> on average. Demand in Class C space is stable without any changes however there is no new supply of such office space in the market.

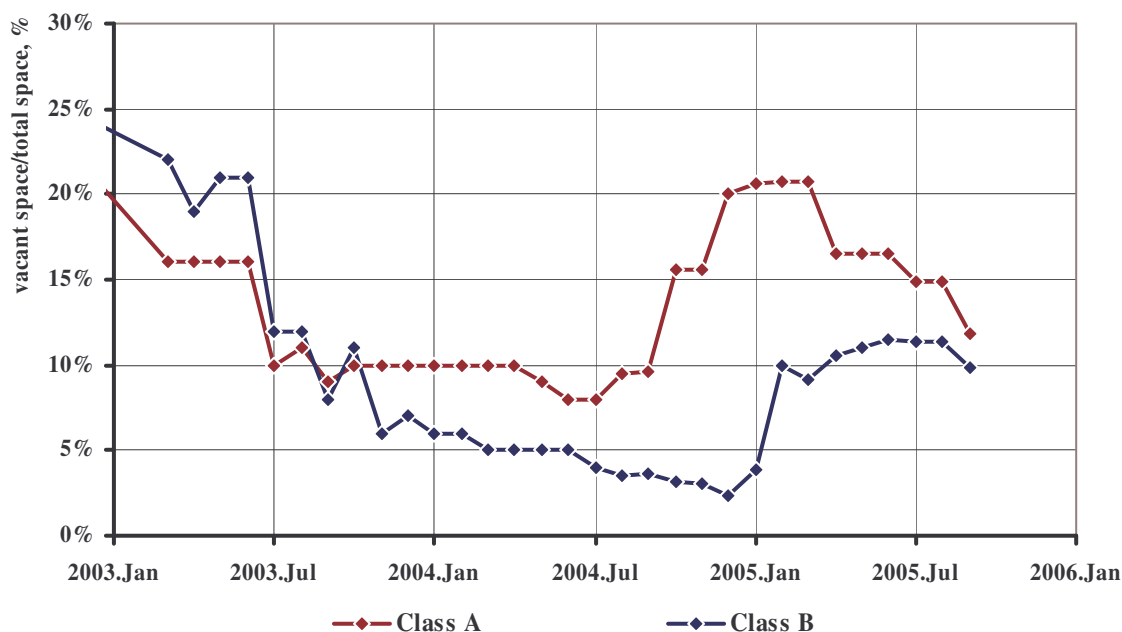
Class A office centre – the central building of Hansabanka has been filled up almost completely: only 400 m<sup>2</sup> have remained for lease. Thus there will be almost no supply in Class A office space market within the nearest future.



The fact that should be deemed as the most important in the office space lease market could be the opening of the 3rd complex of Mukusala Business Centre in Mukusala street 41b after the reconstruction where office space is offered for lease starting from 65 square meters, thus supplementing Class B office space market by 4,900 m<sup>2</sup>. All the premises have been already occupied before the commissioning of the building. The anchor lessee is TELE 2, other lessees of office space are Konica Minolta Baltia, Dino Zoo centrālais birojs, and other. In general, more than 14,000 m<sup>2</sup> have been already leased out in other similar buildings in the centre. Office space lease payment is from 6 to 7 LVL/m<sup>2</sup> (9 to 10 EUR/m<sup>2</sup>) + VAT + electricity (heating, water, parking and other operation costs have been already included in a lease payment).

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## Office space vacancy rate



## RETAIL SPACE

The retail space market in September was supplemented by the newly opened Terbata Business Centre, a six-storied mixed type building at the corner of Terbatas and Lacplesa streets where the first 2 floors are occupied by retail space.

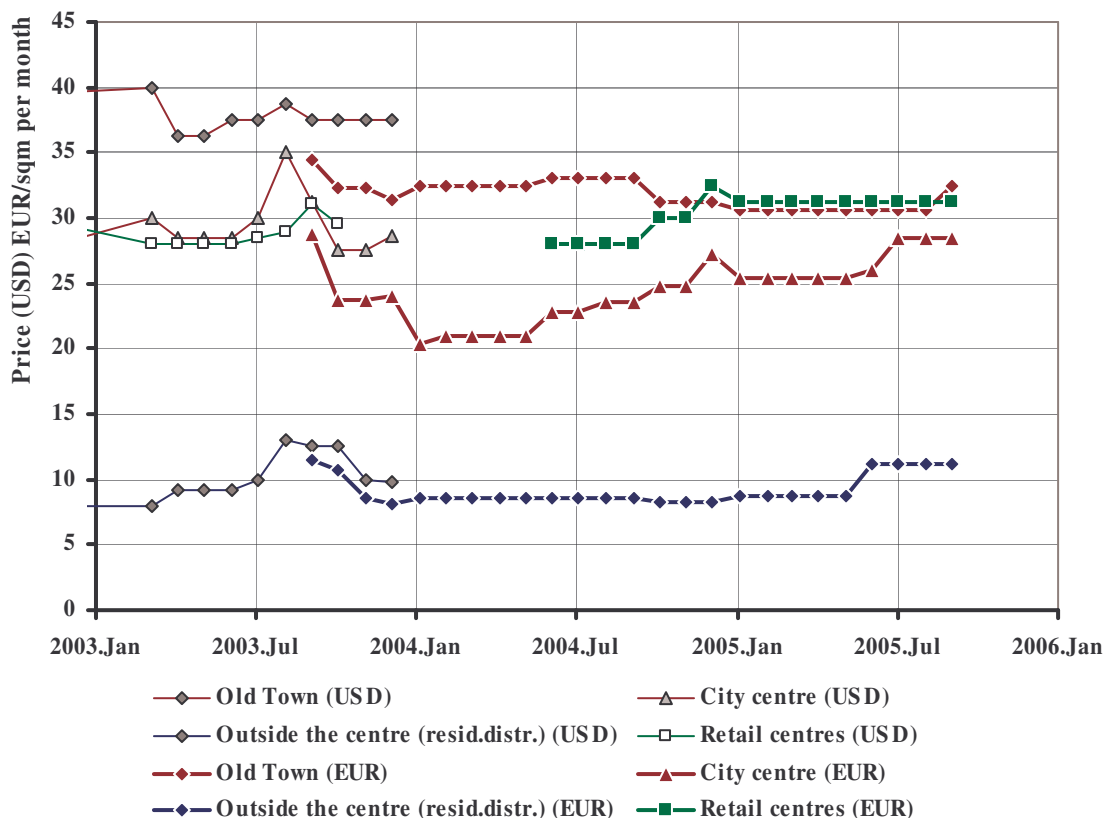
Still the highest demand for both buying and leasing in the centre of Riga are retail spaces of 80 to 120 m<sup>2</sup>. There is an increasing demand in buying of premises in good places in the centre since the lease payment has levelled with monthly credit payments. The demand drivers are expanding chains of shops. For example, jewellery producer Emeralda bought retail space of 120 m<sup>2</sup> recently, besides it was not in the active centre but in the region of Gogola street, thus indicating a deficit in retail space for sale in the active centre of Riga.

At the moment, several two-level shops in active pedestrian flow places are searching for tenants of retail space of the first floor. However the opinion of tenants, that any premises on the first floor cannot provide the same return in retail trade as on the ground floor, puts restrictions to lease of such retail space. For example, a shop in Kr. Barona street with comparably large are of 760 m<sup>2</sup> is searching for a tenant already since March. Due to the insufficient demand, the lease payment has been reduced from 11 EUR/m<sup>2</sup> to 7/8 EUR/m<sup>2</sup>.

Latakko, SIA that are engaged in trade with tires and batteries are searching for a place suitable for construction of a trade centre in Riga or Greater Riga area, of about 10,000 m<sup>2</sup> that would occupy approximately 2 ha together with a parking lot.

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**Average retail space rent**  
(in streets with active pedestrian flow, space up to 100 sqm)



**INDUSTRIAL SPACE**

Prices of lease in the industrial space market are stable since this spring: from 1 to 1.25 LVL/m<sup>2</sup> (1.4 to 1.8 EUR/m<sup>2</sup>) on average. There is a high demand in production premises and in areas suitable for logistics in Pardaugava, and there is almost no supply there. Pardaugava and the direction to Jelgava: Tiraine and Olaine are developing into the most active region in Greater Riga, which is facilitated also by a motorway A8 that is suitable for industrial needs. There is a sufficient supply of warehouse and production space lease in Olaine and Jelgava but the owners are not interested in selling of such premises. Only industrial space of very low quality is offered for sale.

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